
January 20, 2005

Mike Weedall
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208

Dear Mike,

I would like to submit Northwest Requirements Utility's (NRU) comments on the future of BPA's conservation program. NRU represents 49 of BPA's full and partial service customers the great majority of whom participate in the C&RD program. Over the past months BPA has engaged in positive collaborative discussions with its customers regarding the conservation program for the period 2007 to 2011. We would like to express our support for the following principles:

- The rate discount approach should be maintained. The rate discount approach is essential to achieving conservation at the local level, regardless of utility size or location. It provides needed flexibility to individual utilities. While the conservation achieved through the C&RD has been somewhat more expensive than under the Conservation Augmentation (ConAug) program, we expect that as time goes on the implementation costs of the discount program will be reduced. A new program such as the C&RD will likely have higher costs in the early years of utility implementation. When comparing the costs of the C&RD and ConAug programs, we do not believe that BPA has sufficiently appreciated two key facts. First, overhead costs are covered in the C&RD program but only to a very limited extent in the ConAug program. Second, the C&RD program focuses on residential conservation, widely understood to be more expensive to achieve than industrial and large commercial conservation (the focus of the ConAug program).
- We agree with maintaining the load decrement for Conservation Augmentation type, bilateral contracts while not having a decrement for the rate discount. The ConAug program is a resource acquisition program paid for by all of BPA's customers and therefore the load decrement is appropriate.
- As we approach the Power Function Review and development of power rates for the post 2006 period, NRU's members remain concerned about cost control at BPA. We support the Work Group's recommendations as stated in the PPC letter of January 10th, 2005. The work group recommended "[M]ore rigorous reporting and evaluation standards for a future rate discount program, and ... re-evaluating the credits for existing qualifying measures". We expect that this will be an

essential condition for the continuation of the discount program. This re-evaluation will begin with Phase 2 (which will define the implementation aspects of this program) which must include significant individual utility participation.

- We need to find a balance between using Northwest Power Planning Council “cost effective measures” and the measures in the current BPA C&RD program. Sufficient measures should be available for utilities to choose from, but these measures need to provide conservation savings in a way that complies with prudent business practices. We expect that this balance will also be a major topic of the Phase 2 discussions.
- We support the small utility option as far as it goes, however we need to see the list of measures and associated reimbursement levels for small utilities before we can be satisfied that this will meet their needs. Of the NRU membership 6 utilities fall into the under 7.5 aMW threshold.

We appreciate the opportunity to comment on this important issue. Please give Geoff Carr or me a call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John D Saven". The signature is written in a cursive, flowing style.

John Saven

CC:

Steve Wright
Paul Norman
NRU membership